

VZCZCXRO2367
RR RUEHIK
DE RUEHBS #1541/01 3221444
ZNR UUUUU ZZH
R 181444Z NOV 09 ZDK CTG NUMEROUS SVCS
FM USEU BRUSSELS
TO RUEHC/SECSTATE WASHDC
INFO RUEHZN/ENVIRONMENT SCIENCE AND TECHNOLOGY COLLECTIVE
RUCNMEM/EU MEMBER STATES COLLECTIVE

UNCLAS SECTION 01 OF 03 BRUSSELS 001541

SENSITIVE
SIPDIS

E.O. 12958: N/A
TAGS: [ECON](#) [EIND](#) [ENRG](#) [EWWT](#) [KGHG](#) [SENV](#) [TRGY](#)
SUBJECT: EU MEMBER STATES REMAIN DIVIDED DESPITE EU COUNCIL

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USEU would like to thank Embassy Stockholm for its reporting during the European Council.

¶1. (SBU) Summary. Although the European Council took several steps forward in defining its efforts to mitigate the effects of climate change, it failed to resolve several open issues, notably around financing. Even among the agreed conclusions, it is apparent there remains disagreement among Member States as to their actual meaning. The lack of agreement on at least two of the key open issues could impact the EU's flexibility in Copenhagen:

-- How the Member States will internally share the EU's financial burden. The EU will create a Working Group to propose a solution, though the work is not likely to be completed in time for Copenhagen;

-- The EU's concrete financing contribution remains undefined. Lack of agreement on internal burden sharing could prevent the EU from bringing concrete numbers to Copenhagen; and

-- Eastern and Western Member States continue to disagree on how to address unused assigned Amount Units (AAUs). The EU only agree that the issue must be handled in a non-discriminatory manner, treating EU and non-EU parties equally. End Summary.

EU Further Defines Mitigation Targets

¶2. (SBU) The EU reiterated its commitment to an agreement at Copenhagen that limits global temperature rise to two degrees Celsius through reducing developed country emissions by 80-95% by 2050 compared to 1990 levels and reducing global emissions by 50% by 2050. Specifically, the EU calls on developed countries to commit to ambitious emission reduction targets and advanced developing countries to commit to "appropriate mitigation actions, reflecting their common but differentiated responsibilities and respective capabilities."

¶3. (SBU) For the first time, the EU presented its own 2050 objective to reduce emissions by 80-95% from 1990 levels. The Council also restated that the EU will move from 20% to 30% reduction targets by 2020, assuming comparable commitments from developed countries and adequate actions from developing countries. However, comparability remains a significant gap in EU decision making, and a British official explained that ultimately, whether or not other countries' efforts are considered "comparable" will be a political decision made in Copenhagen.

Financing remains almost completely unresolved

¶4. (SBU) The Swedish Presidency quickly touted the Council as a success, noting that the EU put forth a target of 100 billions euros per year by 2020 for global financing, to come from a combination of public finance (in the range of 22 to 50 billion euros per year from all sources), an international carbon market, and self-financed

efforts in developing countries. However, key issues, including what financial amount the EU plans to contribute, how the EU Member States will internally share that financial burden, and according to an Italian official, even the 100 billion euro figure, remain open issues. Prior to the Council, both Swedish and Danish representatives told USEU EconOffs that they wanted to come to agreement on all financing issues, particularly more clarity on what the EU will contribute, indicating the Council was not the success promoted by the Presidency.

15. (SBU) Despite a strong push from the Presidency and several other Member States, including the United Kingdom and the Netherlands, the final Council was unable to secure agreement on concrete numbers for the EU's financial contribution to mitigating climate change in developing countries. A British official told USEU EconOff that the repercussions from the failure of the Economic and Finance Ministers nt the week before wereh. Poland and Hungary ln Member States opposition of financing numbees on how Member States wid financial burden. pete numbers; a German@ff that Germany wants wait to see what other cUnited States, put on thhe lack of decision on Criven entirely by an @ernal burden sharing,e emissionle) as promoted by sevQ. Poland and the groQtes explained that furth heir already fragile econn agreed to set up aa proposal on how toQurden. The results of

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must be agreed by a consensus of the Council, to ensure full agreement. Embassy Stockholm reported by both Swedish PM Reinfeldt and Polish PM Tusk said that the EU will develop an internal mechanism that takes fully into account the ability to pay. Poland has been pushing for heavy weighting on GDP, though a UK official told USEU EconOff that the UK is pushing for a 50/50 split between GHG emissions and GDP, with emissions given more weight over time.

AAUs continue to be contentious

17. (SBU) In addition to financing, the EU remained undecided on how to handle unused Assigned Amount Units (AAUs) from the Kyoto Protocol in any post-2012 efforts. The EU has a unique situation with about half of its members owning large numbers of AAUs from substantial emissions reductions resulting from post-Soviet deindustrialization. These Eastern Member States want to be able to continue to use their AAUs, but several Western Member States, notably the Swedish Presidency, are opposed, arguing that the environmental integrity of any deal will be compromised. The issue is compounded as several EU Member States are concerned by the effect unused AAUs from Russia and Ukraine will have on a Copenhagen agreement. The EU only could agree that the issue must be addressed in "a non-discriminatory manner treating European and non-European countries equally." According to Council reporting from Embassy Stockholm, Polish Prime Minister Donald Tusk stated that unused AAUs are staying, unless there is global agreement on the symmetrical elimination of AAUs. Several Member State representatives, both East and West, have explained that it is likely the AAUs will remain, but at a discounted rate.

Lack of agreement may harm EU Copenhagen position

18. (SBU) That the EU was unable to agree either on Copenhagen financing or internal financial burden sharing could put it in a difficult position entering Copenhagen. Most Member States, including the EU Presidency, do not expect the Working Party to present its findings (or possibly even start its work) in advance of Copenhagen. An Italian official told USEU EconOff that the EU may not be able to bring concrete financing numbers to Copenhagen with the burden sharing not agreed. He explained that Poland would be unwilling to agree to EU financing if it did not already know its required contribution. Instead, the official said that the financing discussion could move into 2010 in both the EU and the UN.

19. (SBU) However, the "lack" of agreement could be part of a negotiating strategy. Environment attaches from the Norwegian and Australian Missions to the EU had a different perspective on the

Council's conclusions. They heard that an informal agreement had been reached among the Member States to devise an equitable burden sharing arrangement on a finance package. They also said that the EU would be prepared to discuss finance at Copenhagen, but for "strategic reasons" EU leaders did not want to publicize any figures or agreements on the subject. A German official explained that Germany did not want to put forth any figures until it sees the potential contributions by other parties.

Member States disagree on how to interpret Conclusions

¶10. (SBU) Even with agreement by the 27 Heads of State and Government, EU Member State representatives have displayed inconsistency iuncil ompleted in time for Copenhagen, but it appears that there is overwhelming opposition from other Mmber States to do so, with Embassy Stockholm eporting that Swedish PM Reinfeldt said that thQ Working Party will be established after C/penhagen.

¶11. (SBU) Comment. The results of he Council struck a blow to the EU's efforts to head to Copenhagen with a strong mandate. Troughout 2009, the EU and the Swedish PresidencQ have argued that the EU would bring concrQte positions to the negotiations after the October Council. However, inability to agree to soe of the key financing and AAU discussions has left the EU in a more difficult position. Environment Ministers will meet informally on November 23, and there looks to be an extraordinary EU Council prior to

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Copenhagen, but neither of these meetings is expected to provide any further clarity to financing. Several Member States, notably Germany, are waiting to see how other countries act in Copenhagen. However, if others move ahead of the EU, particularly on financing, it has the potential to put the EU further on the defensive; the Council was strongly attacked for its failure to provide clarity. The EU is looking to maintain a leadership role, but there was clear concern regarding the EU's position among some Member State officials when discussing the results of the Council. End comment.

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